

STUDY OF THE APPLICATION OF THE SECURITY CLASSIFICATION SYSTEM
TO
INDUSTRY AND ACADEMIC INSTITUTIONS

1. NATIONAL POLICY CONSIDERATIONS:

a. The Constitution states that Congress shall have power to provide for the common defense of the United States. This necessarily requires establishment and preservation of the ability of the United States to defend itself against hostile or destructive action. In performing this function, Congress authorizes military forces, weapon systems and logistics support necessary for the national defense.

b. Congress is now considering establishment of national policy that could provide a statutory system, within very narrow limits, for the Executive branch to use in designating information as requiring secrecy in the interests of national defense. Currently, the President's Executive Order 11652, "Classification and Declassification of National Security Information and Material," states procedures for Executive branch people to classify information as Confidential, Secret or Top Secret for protection in the interests of national security.

2. PURPOSE OF THE STUDY:

a. Obtain facts showing the application of the existing Executive order security classification system to industry and academic institutions and their use of secrecy procedures promulgated by the order.

b. Assess possible benefits to the nation that could result from a narrow statutory security classification system.

c. Prepare a report of findings and conclusions.

3. BACKGROUND:

a. Over 12,000 industrial plants, academic institutions and other activities have a facility security clearance granted by the Department of Defense for Executive branch agencies. That means that each one has been cleared to have access to information classified Confidential or higher.

b. Pursuant to a Department of Defense security agreement, every facility is obligated to adhere to all rules of the Government for secrecy and the safeguarding of information bearing a security classification.

c. Government contracts assign a security classification to much of the work performed at cleared academic institutions as well as industrial facilities. The information involves national policy matters as well as military operations.

d. Available evidence shows that, in the recent past, from 70% to 99 $\frac{1}{2}$ % of Executive branch security classifications were unnecessary, since disclosure of the information could not have impaired the defense capability of the nation.

e. Industrial firms and academic institutions apparently accept the Executive branch security classification system on the basis of the following:

(1) If Government business is needed, and classified information might be involved, a contract cannot be obtained without signing a security agreement.

(Over)

(2) A cleared activity has access to classified information, which helps keep it ahead of any competition that is not cleared. A non-cleared organization is denied access to classified information.

(3) Costs chargeable to security requirements are paid by the Government.

(4) After agreeing to the security rules in order to get a contract, violation of them could result in costly penalties.

(5) A security classification can be put on information offered to the Government and other potential customers, especially foreign governments who are permitted to receive classified information.

4. FACTS TO BE ELICITED TO THE EXTENT PRACTICABLE:

a. Number of classified contracts at some representative facilities.

b. Security classifications of contracts, and subject matter or type of information involved. (No classified information will be obtained.)

c. Basis for classification, or lack of reasonable basis.

d. Assistance given, if any, in helping the Government make decisions on classifying information involved in contract work.

e. Results of programs, where they exist, for challenging Government classifications which appear to be unnecessary.

f. Percentage of contractual information exempted from the General Declassification Schedule in Executive Order 11652, and the resultant impact in terms of costs and restrictions on future use of the information.

5. SELECTION OF FACILITIES AND STUDY PROCEDURES:

a. Information regarding the location of cleared facilities, the degree of their clearance, and the total dollar value of contracts is available.

b. A few of the industrial plants, business firms, academic institutions and non-profit activities engaged in different types of projects, including research, manufacturing, and consulting service will be selected for the study.

c. Inquiries will be made to identify facilities which would participate in the study and furnish releasable information additional to that already available.

d. Personal visits would be made to selected facilities for observation and discussions, and to obtain releasable data not already on hand.

NOTE: THE STUDY REPORT WILL NOT IDENTIFY A PARTICIPATING FACILITY, UNLESS ONE WISHES THAT ITS VIEWS OR PROBLEMS SHOULD BE MADE KNOWN.

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